Digital Audit

The definitive guide to performing external audits digitally
Introducing the Inflo Digital Audit

The Inflo Digital Audit transforms the external audit process. It takes a truly data-driven approach, while harnessing the power of digital workflow to achieve a more efficient and higher quality audit - yielding a vastly improved staff and client experience.

The Inflo platform, which provides the vehicle driving the Digital Audit leverages the most progressive technologies available in the digital era. Inflo’s proprietary audit methodology, which provides the navigation guiding the Digital Audit incorporates the most advanced techniques to create a data driven approach.

Combined, they allow audit and accounting firms to quickly progress their digital transformation, creating a digital approach and harnessing data to drive automation.

Scalable, accessible to all

The Inflo Digital Audit is uniquely scalable – supporting audits of the most complex, publicly listed clients through to the smallest private business, performed by any size audit and accounting firm.

The Digital Audit is enhanced through advanced digital and data technologies. These premium capabilities are seamlessly integrated to the Digital Audit approach and tiered to fit each engagement.

Engagement teams can utilize premium functionality on an engagement-by-engagement basis, selecting the appropriate functionality for each audit they perform.

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About this guide

• This guide summarizes some of the key features and functionality across Inflo’s Digital Audit.
• Contents follow the flow of an audit engagement, with additional functionality relevant to group audits at the end of the guide.
• Premium functionality is highlighted by appropriate tags:
  - Collaboration
  - Overview Analytics
  - Transactional Analytics

• This guide covers how Inflo supports the performance of audit engagements.

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1. Planning

1.1 Planning activities

A clear work flow

Planning activities within the Digital Audit methodology are grouped together in a logical suite of workprograms. The top-to-bottom workflow provides auditors with a clear planning process and enables total accountability between team members, with progress bars tracking the status of each workprogram and the overall planning process.

Prepared by client requests

Inflo’s client collaboration capabilities provide a structured approach to gathering prepared by client request lists. Each request item is listed, with clients being able to upload files or provide comments to auditors against each item. This establishes a clear workflow for all the client information needed throughout the audit process, enhancing accountability and the transparency of information exchange.

Internal team meeting

Inflo’s internal team meeting screen captures the key minutes, documents discussed, attendees and conclusions reached during the planning meeting led by the engagement partner. This provides structure to a critical part of the planning process and makes the discussion easily accessible for recap, or to quickly bring other team members up to speed with key engagement information.

1.2 Independence

Non-audit services

Capturing other services delivered to the client in Inflo’s Non-Audit Services screen, supports more effective independence evaluation. Threats and safeguards can be assessed for each service, with overall conclusions and other supporting evidence attached.

1.3 Materiality

Materiality

Inflo’s Materiality screen supports auditors in making appropriate decisions during the materiality setting process. Financial calculations are automated and based on client data, with clearly defined ranges for auditors to apply judgement. Specific materialities can be applied to individual accounts or risks, with justifications captured throughout the process. The Materiality screen diligently manages any updates throughout the audit, with justification capture and full audit trail.
2. Risk identification

2.1 Audit Data Analytics to identify risks

Preliminary analytical review

The Digital Audit methodology emphasizes the value of well-executed preliminary analytics. Year over year analytical review is automatically produced and auditors can add their own expectations. Notable variances are instantly highlighted and can be queried with the client directly, with their responses captured in the platform.

Ratio analysis

The use of ratio analysis adds additional sophistication to the risk assessment process. A broad range of ratios and KPIs are automatically calculated using client data, with benchmarking available against comparable peers to provide perspective.

Visualization exploration

The exploration of transactional data using visualizations offers a valuable tool to identify risk and enhance the auditor’s understanding of the entity. Auditors can visualize characteristics such as the users making postings and the dates of transactions to focus audit effort or identify opportunities to disaggregate testing.

2.2 Understanding relevant aspects of the entity

Understanding the entity

Info’s Understanding the Entity screen focuses on outcomes rather than the preparation of lengthy client background documentation. Auditors are prompted to consider whether factors such as the entity’s industry, business model, performance measurement or the applicable financial reporting framework indicate a heightened entity risk, or a specific risk of material misstatement. Decisions flow directly to impact the broader audit process, such as risk assessment and sampling calculations.

Understanding internal control

Info’s Understanding Internal Control screen focuses the auditor on evaluating the impact of their work on the broader audit. Auditors consider whether inadequacies have been identified across COSO framework areas to conclude whether the overall control environment supports a controls-based audit approach, or whether issues or findings should be raised.

Business processes

The Digital Audit methodology supports auditors in more effectively understanding business processes relevant to the audit. Auditors can record key controls observed, capturing walkthrough testing and concluding on the design and implementation of those key controls.

Related parties

The Related Parties screen, captures all individuals and businesses related to the audit entity. This key information can then be more easily maintained and team members better informed. The related party information can also be utilized in relevant areas of the audit, such as keyword searches during management override testing using substantive audit data analytics.

Accounting estimates

To support a more structured evaluation, Info’s Accounting Estimates screen summarises all estimates in a dedicated area. Info captures required documentation and links each estimate to related audit risks, ensuring their impact is appropriately evaluated during risk assessment.
2. Risk identification

2.3 Risk assessment

Financial statement structure and assertions

Inflo’s risk assessment process aligns to financial statements. Risk assessment can be performed at the line-item level or a lower subcategory level, allowing for more granular risk assessment.

Pervasive risks

The risk assessment process promotes greater consideration of risks which are pervasive to the financial statements. This ensures appropriate attention is given to issues which, depending on client and engagement circumstances, may broadly impact the financial statements.

Spectrum of risk

Inflo’s Digital Audit methodology embraces some of the latest auditing concepts, such as the spectrum of risk. For each risk, a score is assigned to the potential likelihood and magnitude of misstatement. Each risk is then plotted on the spectrum of risk graph, helping auditors to visualize their risk assessment and inform where elevated or significant risks exist.

InfloHi risk assessment recommendations

Inflo Hybrid Intelligence, or InfloHi, is used throughout the Inflo platform. InfloHi leverages emerging technologies to provide recommendations to auditors. To support risk assessment, InfloHi uses the client’s most recent trial balance to provide various recommendations to auditors. These include scoping of balances, significant risk identification, spectrum of risk scores, and the existence of accounting estimates. Prior year and current year trial balance information is also presented on screen to support auditors in understanding InfloHi recommendations. Critically, all InfloHi recommendations must be evaluated by auditors for review and approval, with InfloHi refining future recommendations based on any modifications made.

Embedded logic

The risk assessment process is also supported by several in-built checks and warnings to ensure appropriate decisions are made. Embedded logic includes the inability to delete the management override of control risk or rebut the risk of fraud in revenue recognition (without providing the appropriate justification), alerts when material balances are out of scope, warns when justifications are required to support key decisions, and where spectrum of risks scores do not correlate to the defined risk levels.

Linkage to other work

Many decisions made during risk assessment and the broader audit planning process are interconnected. The Digital Audit methodology establishes clear linkage between these related areas, ensuring documentation is aligned across the file. This includes appropriate assessment of accounting estimates where identified, and evaluation of business processes where deemed relevant to the audit or relating to significant risks.
3. Audit plan communication and approval

3.1 Client communication

Planning report

Inflo offers a client-facing planning report to enable more valuable interactions with audit committees or management at the planning phase.

The planning report satisfies the communications required by auditing standards, extracting the results of decisions within the platform such as materiality levels, significant risks or identified related parties.

The report also articulates the additional value of the Digital Audit approach and the benefits auditors using Inflo are providing to their clients.

3.2 Planning review process

Approval

Upon the finalization of planning, Inflo includes a succinct and effective approach to obtain planning approval from engagement Partners, and where relevant quality reviewers.

Approval workprograms summarize the work performed and conclusions drawn for the most significant planning procedures. Reviewers can approve or directly edit these key decisions from a single summary screen, saving time navigating planning work and maximizing the value of engagement Partner time.
4. Respond to risk

4.1 Designing the audit response

Response design

Inflo’s approach to designing the response to risk establishes 6 categories of response:

01. Controls
   Testing to obtain evidence over the operating effectiveness of controls

02. Substantive Audit Data Analytics (SADAs)
   Testing using audit data analytics to obtain substantive audit evidence

03. Substantive Analytical Procedures (SAPs)
   Testing using analytical procedures to obtain substantive audit evidence

04. Tests of Details
   Testing using other substantive audit procedures

05. Accounting estimates
   Specific testing to address where accounting estimates exist

06. Other
   Testing that does not fall under any of the other categories, and usually addresses a material class of transaction, account balance or disclosure, that is not deemed significant.

This categorization provides clarity to auditors in their planned response and how the techniques differ in their effectiveness.

Workprograms library

The Digital Audit methodology takes a new approach to workprograms. They go beyond simply housing the required procedures and include powerful features such as pre-populated responses, embedded automation and analytics, templates, and guidance. When developing the response to risk, auditors can select from a library of pre-designed workprograms, specifically designed for each audit test.

Assertion overview

Inflo’s risk response screen neatly summarizes each workprogram and the assertions the test provides evidence over. This offers a simple overview of the planned audit response so auditors can be confident their audit response will address the risk assessment performed.

Audit response preview

Inflo provides the ability to preview the extent of audit work required by a designed response. Response preview includes the ability to evaluate expected sample sizes based on trial balance data and the designed approach. This allows auditors to consider alternative approaches and supports the design of an effective and efficient response to risk before fieldwork commences.

InfloHi audit response recommendations

Inflo Hybrid Intelligence, or InfloHi, is used through the Inflo platform. InfloHi leverages emerging technologies to provide recommendations to auditors. InfloHi uses the client’s most recent trial balance and initial risk assessment decisions, to recommend a set of workprograms from the workprograms library to form a proposed response to the assessed risk.

Critically, all InfloHi recommendations must be evaluated by the auditors for review and approval, with InfloHi refining future recommendations based on any modifications made.

Embedded logic

The response to risk process is also supported by several in-built checks and warnings to ensure appropriate decisions are made. Embedded logic includes ensuring that there is an appropriate response to all relevant assertions, and that the response to significant risks includes substantive procedures other than substantive analytical procedures.

Response to risk view

The response to risk view captures the audit work performed to address risk at the fieldwork and other stages of the audit. The view is structured to provide a clean perspective of how each assessed risk had been responded to, with the ability to expand and collapse risks to view work performed. The response also includes a detailed lead schedule prepared automatically based on trial balance data.
4. Respond to risk

4.2 Audit Data Analytics to respond to risk

Data acquisition and ingestion

One of the biggest barriers to adopting audit data analytics is the extraction of transactional data from general ledger accounting systems, transformation to structure the data and the loading of data into analytics tools.

This ‘ETL’ process is resolved through Inflo’s unique approach to data ingestion. Clients directly upload their general ledger data to Inflo, with automated routines performing the ETL process as well as completeness and accuracy checks. Inflo’s unrivalled approach to data ingestion also includes an expert team of data scientists on-hand to support more complex client or system scenarios.

This means access to reliable transactional data on 100% of clients, with auditors completely removed from this challenging and time-consuming activity.

Visualization interrogation

As a core response promoted by the Digital Audit methodology for any significant account class, the interrogation of data with visualizations offers an effective and efficient technique to collecting substantive audit evidence. Auditors can visualize characteristics such as the users making postings and the dates of transactions to focus effort on notable areas.

Management override testing

The Digital Audit methodology incorporates a progressive approach to journal entry testing. Every automated and manual transaction is subjected to a multi-dimensional risk scoring technique, which instantly and visually identifies the riskiest transactions for testing.

Revenue testing

Recognizing the challenge of utilizing traditional audit techniques to audit revenue, the Digital Audit methodology strongly promotes the use of ADAs. Revenue SADA techniques can analyse every revenue transaction accounting entry to identify outliers against expected business processes for review and testing.

4.3 Open Banking*

Bank statement testing

Leveraging advancements in open banking, the Digital Audit obtains transactional data feeds directly from third-party financial institutions. This allows auditors to efficiently trace transactions to bank statement, perform post year-end tests, and execute full year and transaction level analytics matching accounting transactions to third-party banking evidence.

Bank confirmations

Inflo’s open banking capabilities also allow auditors to perform highly effective external confirmation of bank and other accounts. Direct integration with financial institutions ensures reliable information is obtained first time, improving efficiency while reducing the risk of fraud, error, or manipulation.

* Territory dependent functionality
4. Respond to risk

4.4 Audit sampling

Sampling

Better recognizing the broad range of clients and the more sophisticated auditing techniques now available, the Digital Audit’s unique sampling logic transforms this method of testing. The process is also streamlined and far more efficient to use within Inflo, as sample calculation and selection are automated, following the auditor’s inputs.

4.5 Response review process

Risk response summaries

Each audit risk includes a risk response summary workprogram. This workprogram includes an overview of the results of all testing performed, any misstatements or findings and the overall conclusions drawn.

This offers senior team members including engagement Partners and Quality Reviewers a single, consolidated viewpoint across an audit area, allowing them to more easily navigate work performed and get more value from the time they invest in the engagement.
5. Concluding

5.1 Evaluation of misstatements

Misstatements

Inflo’s Misstatements screen captures the misstatements identified during the audit process. As well as recording financial adjustments, auditors can keep track of client corrections as well as communications with management and those charged with governance. Functionality to link misstatements to specific audit procedures also provides a clear audit trail.

5.2 Audit Data Analytics to conclude on risk

Concluding analytics

The Digital Audit methodology includes highly effective concluding analytics. Year over year analytical review is automatically produced, with notable variances between final values and prior versions instantly highlighted. Management and auditor commentary from the prior phases of the audit are also visible to assist concluding rationale.

5.3 Client communication

Findings

Inflo’s Findings screen captures all findings identified during the audit process. Findings such as control deficiencies or required management representations are quickly documented. Recommendations can also be added, and auditors can monitor client communications. Functionality to link findings to specific audit procedures also provides a clear audit trail.

Client reporting

Inflo includes a client-facing audit conclusion report to enable more valuable interactions with audit committees or management at the completion phase. The conclusion report satisfies the communications required by auditing standards, automatically extracting the results of audit work within the platform such as misstatements, findings, or results of testing significant risks. The report also articulates the additional value of the Digital Audit approach and the benefits auditors using Inflo are providing to their clients.

Value-add reports

As an example of Inflo’s additional value, further value-add reports are available as audit outputs for clients. The reports include insights achieved as a byproduct of performing audit data analytics, using transactional data to analyze accounting processes and highlight opportunities for improvement. Visual analysis and supplementary commentary are automatically produced for impressive and effective client facing PowerPoint reports.

5.4 Concluding review process

Issue resolution

Frequently, decisions during the audit process have broader implications. Where auditors selected pre-populated responses, which represent an issue which may, for example, need communication, require management representation, or impact the audit report. Inflo flags the existence of such results, ensuring concluding work is aligned to the engagement and issues are appropriately addressed.

Approval

Upon the finalization of completion, Inflo includes a succinct and effective approach to obtain approval from engagement Partners, and where relevant quality reviewers. Approval workprograms summarize the work performed and conclusions drawn for the most significant audit procedures. Reviewers can approve or directly edit these key decisions from a single summary screen, saving time navigating the entire audit file.
6. Group engagements

6.1 Planning

Tailored workprograms
Several workprograms within the Digital Audit methodology are replaced by more comprehensive group engagement team or component team workprograms when performing such engagements. This approach ensures that group procedures are only considered when relevant, and that more sophisticated audit work is performed on group engagements.

Component materiality allocation
Leveraging the outputs of Info’s Group Scoping and Materiality screens, the Component Materiality Allocation screen includes InfoHi functionality to analyse the trial balance data of in-scope components to propose an optimum allocation of group materiality. Auditors then apply judgement and are guided by checks and balances to finalize decisions.

Group team documentation sharing
Often, it is most efficient for the group engagement team to perform audit procedures on behalf of the entire group. This may include work such as understanding the entity and internal control, substantively testing taxation calculations, or performing subsequent event procedures. Info allows for group teams to publish a read-only version of their group-wide work for component auditors to include in their audit file, eliminating wasted effort and duplicated work or performing low-value administrative activities.

6.2 Risk identification

Risk assessment
As well as providing group-wide work to component auditors, group engagement teams can share group-level risk assessment decisions to directly support the risk assessment conducted at the component level. Component auditors are notified of group-level risks for them to consider. Group engagement teams are also made aware of key risk assessment decisions made by component auditors which may not align with the group-level assessment.

Analytical review of components
The Digital Audit methodology promotes the use of Audit Data Analytics to support a highly effective approach to performing analytical reviews of components. Year over year analytical review is automatically produced, with notable variances instantly highlighted. Unusual variances can be queried with the client directly, with their responses captured in the platform.

Project management
One of the most significant challenges on group engagements is collating the required information from a broader range of individuals on a timely basis. Info implements a more collaborative approach to gathering prepared-by-client information across group teams. The approach offers full transparency between client contacts and auditors, embedding robust project management practices to avoid inefficiencies and miscommunication.

Group scoping
One of the most significant challenges on group engagements is collating the required information from a broader range of individuals on a timely basis. Info implements a more collaborative approach to gathering prepared-by-client information across group teams. The approach offers full transparency between client contacts and auditors, embedding robust project management practices to avoid inefficiencies and miscommunication.
6. Group engagements

6.3 Respond to risk

Group-wide audit data analytics

Powerful aggregated audit data analytics can be deployed to perform advanced, centralized group-wide audit procedures. This includes Substantive Audit Data Analytics (SADAs) such as journal entry testing to address management override of controls, and automated revenue testing. This allows group engagement teams to take on a greater role, leading the audit work over significant risk areas and utilizing component teams to test the exceptions identified.

Component auditor work

By leveraging a unique approach to the structure of group audit files, Inflo makes the work of component auditors highly accessible to group engagement teams. They can review working papers by directly accessing the component audit file from their own Inflo dashboard, bringing relevant work into the group audit file. This eliminates challenges packing, transferring, and unpacking full audit files or working papers between firms, driving a more collaborative approach.

6.4 Concluding

Aggregation of issues

Inflo’s Misstatements and Findings screens summarise the errors and issues identified during the audit process. For group engagement teams, these views provide a summary across the entire group audit, including all component audit files. They present the items captured by component auditors providing timely and transparent aggregation.

Multiple reporting

Multiple reporting occurs where completion procedures are first performed to facilitate the issuance of a group reporting opinion, with a statutory or other opinion required at a subsequent date. Inflo includes a highly efficient approach to performing completion on secondary reporting, reaffirming prior conclusions, or allowing for effective updates.
Your new audit approach

**Work smarter, not harder**
Unprecedented efficiency through standardization, and automation.

**Impress clients and attract new ones**
Deliver more client value by offering a better approach and new insights.

**Improve the quality of your audits**
Deliver consistent audits compliant with standards and best practice.

**Provide an interesting staff experience**
Develop talent and free your team from mundane, repetitive tasks.

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**Supporting your move to digital**

Implementing a new audit approach has never been easier. With no additional hardware or software requirements, your firm could be performing Digital Audits in the cloud in just a matter of clicks.

Inflo is an audit platform built by auditors, for auditors. Embedded across the solution is the knowledge and expertise of experienced auditors who have facilitated change and implemented new technologies within audit and accounting firms.

Inflo Academy brings to life online training and e-learning pathways, providing Partners and staff with the skills and expertise required to perform high-quality, effective Digital Audits. Advanced virtual and classroom-based training is also available.

Inflo Know provides comprehensive on-demand resources to support auditors answering common questions, complementing the guidance and expertise embedded throughout the audit workflow.

And technical support is always on-hand with our in-built support tool allowing all users to access support from a dedicated team of Inflo Digital Audit specialists.
Learn More About the Digital Audit

Visit Our Website

Learn how Inflo’s Digital Audit can advance the effectiveness and quality of your audit services

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For more information, please contact: sayhi@inflosoftware.com